

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>VILLAGE OF CLINTON</b>	County <b>LENAWEE</b>
Fiscal Year End <b>MARCH 31, 2006</b>	Opinion Date <b>APRIL 28, 2006</b>	Date Audit Report Submitted to State <b>JUNE 30, 2006</b>	

We affirm that:

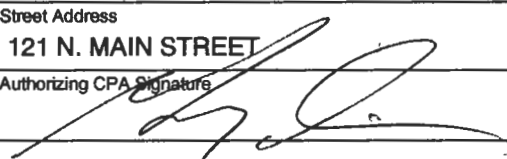
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES                                 | NO                       | Check each applicable box below. (See instructions for further detail.)   |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely.  |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NOT NEEDED FOR THIS YEAR	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>ROBERTSON, EATON, AND OWEN, PC</b>		Telephone Number <b>(517) 265-6154</b>	
Street Address <b>121 N. MAIN STREET</b>		City <b>ADRIAN</b>	State <b>MI</b>
Authorizing CPA Signature 		Zip <b>49221</b>	License Number <b>1101008646</b>
Printed Name <b>GARY OWEN</b>			

**VILLAGE OF CLINTON, MICHIGAN**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2006**  
**WITH**  
**INDEPENDENT AUDITORS' REPORT**

**VILLAGE OF CLINTON, MICHIGAN**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended March 31, 2006**

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**VILLAGE OF CLINTON, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended March 31, 2006**

As management of the Village of Clinton, Michigan, we offer readers of the Village of Clinton, Michigan's financial statements this narrative overview and analysis of the financial activities of the Village of Clinton, Michigan for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here.

**Financial Highlights**

- ♦ The assets of the Village of Clinton, Michigan exceeded its liabilities at the close of the most recent fiscal year \$13,112,697 (*net assets*). Of this amount, \$2,058,470 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ♦ The government's total net assets increased \$614,681. This increase included \$214,998 in bequests received from the John F. Robison Estate.
- ♦ As of the close of the current year, the Village of Clinton, Michigan's governmental funds reported combined ending fund balances of \$3,812,536, an increase of \$371,384 in comparison with the prior year.
- ♦ At the end of the current year, unreserved fund balance for the general fund was \$601,246, or 56% percent of total general fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village of Clinton, Michigan's basic financial statements. The Village of Clinton, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Clinton, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village of Clinton, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Clinton, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the Village of Clinton, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Clinton, Michigan include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the Village of Clinton, Michigan include the utility systems.

The government-wide financial statements include not only the Village of Clinton, Michigan itself (known as the *primary government*), but also a legally separate Downtown Development Authority (DDA) for which the Village of Clinton, Michigan is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 7 – 10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Clinton, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Clinton, Michigan can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Clinton, Michigan maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and permanent funds, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village of Clinton, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all governmental funds (except the permanent funds) to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 11 – 17 of this report.

*Proprietary funds.* The Village of Clinton, Michigan maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Clinton, Michigan uses enterprise funds to account for its electric, water, and sewer funds. The *Internal service fund* is an accounting device used to accumulate and allocate costs internally among the Village of Clinton, Michigan's various functions. The Village of Clinton, Michigan uses an internal service fund to account for equipment and charge out expense (Equipment Fund). Because this service predominantly benefits governmental rather than a business-type function it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, and Sewer Funds, which are considered to be major funds of the Village of Clinton, Michigan. The internal service fund (Equipment Fund) is in the proprietary fund financial statements.

The basic fund financial statements can be found on pages 18 – 22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 – 46 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following notes to the financing statements. Combining statements and individual fund schedules can be found on pages 47 – 55 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Clinton, Michigan, assets exceeded liabilities by \$13,112,697 at the close of the most recent fiscal year.

By far the largest portion of the Village of Clinton, Michigan's net assets (52 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village of Clinton, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Clinton, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Village of Clinton, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2006 Total</u>	<u>2005 Total</u>
Current and other assets	\$ 3,764,882	\$ 3,352,509	\$ 7,117,391	\$ 5,715,214
Capital assets	<u>3,207,025</u>	<u>7,358,341</u>	<u>10,565,366</u>	<u>7,421,429</u>
Total assets	<u>\$ 6,971,907</u>	<u>\$ 10,710,850</u>	<u>\$ 17,682,757</u>	<u>\$ 13,136,643</u>
Long term liabilities outstanding	452,000	3,180,872	3,632,872	380,000
Other liabilities	<u>185,246</u>	<u>751,942</u>	<u>937,188</u>	<u>258,627</u>
Total liabilities	<u>\$ 637,246</u>	<u>\$ 3,932,814</u>	<u>\$ 4,570,060</u>	<u>\$ 638,627</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	2,732,025	4,176,185	6,908,210	7,026,429
Restricted	3,023,475	1,122,542	4,146,017	3,605,043
Unrestricted	<u>579,161</u>	<u>1,479,309</u>	<u>2,058,470</u>	<u>1,866,544</u>
Total net assets	<u>\$ 6,334,661</u>	<u>\$ 6,778,036</u>	<u>\$ 13,112,697</u>	<u>\$ 12,498,016</u>

An additional portion of the Village of Clinton, Michigan's net assets (31 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,058,470) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village of Clinton, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

#### Financial Analysis of the Government's Funds

As noted earlier, the Village of Clinton, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village of Clinton, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village of Clinton, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, the Village of Clinton, Michigan's governmental funds reported combined ending fund balances of \$3,812,536, an increase of \$371,384 in comparison with the prior year. Approximately 4 % of this amount (\$187,815) is committed to capital projects. Reserved fund balance (\$2,719,081) is not available for new spending since it already is committed. Permanent (Trusts) fund money (\$2,593,930) represent most of the reserved fund balance. Special Revenue Funds have \$245,670 available for their special uses.

The general fund is the chief operating fund of the Village of Clinton, Michigan. At the end of the current fiscal year, unreserved fund balance of the general fund was \$601,246.

The fund balance of the Village of Clinton, Michigan's general fund increased by \$26,984 during the current fiscal year.

**Proprietary fund** - The Village of Clinton, Michigan's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the utility funds at the end of the year amounted to \$1,479,309. The total increase in net assets for the fund was \$342,130.

#### **General Fund Budgetary Highlights**

The following budget highlights noted:

- State Revenue Sharing came in \$40,624 higher than budgeted.
- Interest Income came in \$12,666 higher than budgeted.
- Village amended budget by \$95,000 to purchase property for fire department.

#### **Capital Asset and Debt Administration**

**Capital assets.** The Village of Clinton, Michigan's investment in capital assets for its governmental and business-type activities as of March 31, 2006, amounts to \$6,908,210 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, machinery and equipment, roads, and other infrastructure. The total decrease in the Village of Clinton, Michigan's investment in capital assets for the current fiscal year was (1.7 %) (a 2.1 % decrease for governmental activities and a (1.4) percent decrease for business-type activities).

Major capital asset event during the current fiscal year was:

- ◆ Construction on Sewer Plant (\$3,235,580).  
with related debt incurred of (\$3,180,872).

### Village of Clinton, Michigan's Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 266,152	\$ 30,644	\$ 296,796
Land improvements	365,435		365,435
Buildings	421,846		421,846
Equipment and furnishings	501,054		501,054
Infrastructure	1,464,723	4,092,117	5,556,840
Construction in progress	<u>187,815</u>	<u>3,235,580</u>	<u>3,423,395</u>
Total	<u>\$ 3,207,025</u>	<u>\$ 7,358,341</u>	<u>\$ 10,565,366</u>

Additional information on the Village of Clinton's capital assets can be found in Note 3. C. on pages 34 – 36.

**Long-term debt.** At the end of the current fiscal year, the Village of Clinton, Michigan had total bonded and note debt outstanding of \$3,817,872 which is backed by the full faith and credit of the government.

### Village of Clinton, Michigan's Outstanding Debt General Obligation Bonds

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>DDA</u>	<u>Total</u>
General obligation bonds	\$ 380,000	\$	\$ 108,000	\$ 488,000
Revenue Bonds		3,180,872		3,180,872
Installment Purchase Loans	<u>95,000</u>	<u></u>	<u>54,000</u>	<u>149,000</u>
Total	<u>\$ 475,000</u>	<u>\$ 3,180,872</u>	<u>\$ 162,000</u>	<u>\$ 3,817,872</u>

Additional information on the Village of Clinton, Michigan's long-term debt can be found in Note 3. E. on pages 37 –39 of this report.

### Economic Factors and Next Year's Budgets and Rates

The budget for the coming year reflects cuts in State Revenue Sharing while other general fund revenues are expected to be similar to prior year.

### **Requests for Information**

This financial report is designed to provide a general overview of the Village of Clinton, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Clinton, 119 East Michigan Avenue, P.O. Box Drawer E, Clinton, Michigan 49236.

April 28, 2006

## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Clinton  
Clinton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Clinton, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Clinton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Clinton, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April , 2006 on our consideration of Village of Clinton, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

April 28, 2006

Village Council  
Village of Clinton  
Clinton, Michigan

The management's discussion and analysis on pages i through vii are is a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Clinton, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Robertson, Eaton & Owen, P.C.***

April 28, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Village Council  
Village of Clinton  
Clinton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Clinton, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Village of Clinton, Michigan's basic financial statements and have issued our report thereon dated April 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Village of Clinton, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

April 28, 2006

Village Council  
Village of Clinton  
Clinton, Michigan

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Village of Clinton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Village of Clinton, Michigan, Departments of the State of Michigan, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

***Robertson, Eaton & Owen, P.C.***

Village Council  
Village of Clinton  
Clinton, Michigan

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**COMPLIANCE**

We have audited the compliance of Village of Clinton, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2006. Village of Clinton, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Clinton, Michigan management. Our responsibility is to express an opinion on Village of Clinton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of Clinton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Village of Clinton's compliance with those requirements.

In our opinion, the Village of Clinton, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006.

Village Council  
Village of Clinton  
Clinton, Michigan

### **INTERNAL CONTROL OVER COMPLIANCE**

The management of Village of Clinton, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Village of Clinton, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Village Council, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

***Robertson, Eaton & Owen, P.C.***

VILLAGE OF CLINTON, MICHIGAN  
STATEMENT OF NET ASSETS

March 31, 2006  
With Comparative Totals for March 31, 2005

	PRIMARY GOVERNMENT				COMPONENT UNIT	
	Governmental Activities	Business-Type Activities	2006	Total 2005	Downtown Development Authority	
<b>ASSETS</b>						
Cash	\$ 766,885	\$ 508,758	\$ 1,275,643	\$ 1,010,450	\$ 100,510	
Investments	2,815,524	885,222	3,700,746	3,389,406		
Receivables (net of allowance for uncollectibles):						
Accounts	34,252	1,021,215	1,055,467	393,906	13,158	
Prepaid expenses	23,221	18,182	41,403	40,357		
Internal balances	125,000	(125,000)	-			
Due from primary government						
Inventories		32,364	32,364	44,828	2,963	
Restricted assets:						
Cash		22,235	22,235	19,470		
Investments in joint venture		989,533	989,533	816,797		
Capital assets:						
Land	266,152	30,644	296,796	200,796		
Land improvements	568,443		568,443	552,180	269,000	
Machinery, equipment, and furnishings	1,489,697	1,239,140	2,728,837	2,686,611		
Buildings	1,154,425	4,054,166	5,208,591	5,208,592		
Infrastructure	4,068,606	3,499,771	7,568,377	7,355,659		
Less: Accumulated depreciation	(4,528,113)	(4,700,960)	(9,229,073)	(8,751,106)	(78,900)	
Construction in progress	187,815	3,235,580	3,423,395	168,697		
Total assets	<u>\$ 6,971,907</u>	<u>\$ 10,710,850</u>	<u>\$ 17,682,757</u>	<u>\$ 13,136,643</u>	<u>\$ 306,731</u>	

	PRIMARY GOVERNMENT			COMPONENT UNIT	
	Governmental Activities	Business-Type Activities	Total	2005	Downtown Development Authority
<b>LIABILITIES</b>					
Accounts payable	\$ 40,146	\$ 636,179	\$ 676,325	\$ 50,997	\$
Accrued liabilities	32,980	15,834	48,814	20,924	
Liabilities payable from restricted assets		22,235	22,235	19,470	
Due to component unit	2,963		2,963	2,963	4,520
Interest payable	10,094		10,094	6,280	
Accrued sick and vacation pay - current	27,363	77,694	105,057	99,530	
<b>Noncurrent liabilities:</b>					
Due within one year	71,700	-	71,700	58,463	76,986
Due in more than one year	452,000	3,180,872	3,632,872	380,000	85,014
Total liabilities	637,246	3,932,814	4,570,060	638,627	166,520
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	2,732,025	4,176,185	6,908,210	\$ 7,026,429	28,100
<b>Restricted for:</b>					
Investment in joint venture (Note 7)		989,533	989,533	816,797	
Water Treatment Plant		133,009	133,009	90,053	
Highways and streets	142,032		142,032	96,299	
Public safety	31,851		31,851	17,769	
Culture and recreation	71,787		71,787	51,422	
Debt Service	151		151	151	
Capital Projects	-		-	19,118	
Permanent Funds:					
Expendable	1,435,542		1,435,542	1,278,821	
Nonexpendable	1,342,112		1,342,112	1,234,613	
Unrestricted	579,161	1,479,309	2,058,470	1,866,544	112,111
Total net assets	\$ 6,334,661	\$ 6,778,036	\$ 13,112,697	\$ 12,498,016	\$ 140,211

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CLINTON, MICHIGAN**

**STATEMENT OF ACTIVITIES**

**For the Year Ended March 31, 2006  
With Comparative Totals for the Year Ended March 31, 2005**

**PROGRAM REVENUES**

	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
General government	\$ 337,255	\$ 28,107	\$	\$
Public safety	602,134	172,951	8,744	
Culture and recreation	160,142	25,580		107,499
Sanitation	84,556	82,233		
Highways and streets	256,540			
Interest on long term debt	<u>18,662</u>			
Total governmental activities	<u>1,459,289</u>	<u>308,871</u>	<u>8,744</u>	<u>107,499</u>
<b>Business-Type Activities:</b>				
Electric Fund	2,757,137	2,727,445		
Water Fund	169,290	199,830		
Sewer Fund	<u>450,006</u>	<u>575,865</u>		
Total business-type activities	<u>3,376,433</u>	<u>3,503,140</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 4,835,722</u>	<u>\$ 3,812,011</u>	<u>\$ 8,744</u>	<u>\$ 107,499</u>
<b>Component Unit:</b>				
Downtown Development Authority	\$ 11,885	\$	\$	\$
Interest on long term debt	<u>10,607</u>			
Total component unit	<u>\$ 22,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Property taxes				
Intergovernmental – State				
Licenses, fees, and fines				
Contributions not restricted to specific programs				
Investment earnings				
Miscellaneous revenues				
Transfer From Component Unit				
Total general revenues and transfers				
Change in net assets				
Net assets – beginning of year				
Net assets – end of year				

The notes to the financial statements are an integral part of this statement.

**NET (EXPENSE) REVENUE AND  
CHANGES IN NET ASSETS**

<b>PRIMARY GOVERNMENT</b>				<b>COMPONENT UNIT</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>2006</b>	<b>Total 2005</b>	<b>Downtown Development Authority</b>
\$ (309,148)	\$	\$ (309,148)	\$ (276,650)	\$
(420,439)		(420,439)	(381,440)	
(27,063)		(27,063)	389,937	
(2,323)		(2,323)	(3,640)	
(256,540)		(256,540)	(414,495)	
(18,662)		(18,662)	(15,109)	
<u>(1,034,175)</u>	<u>-</u>	<u>(1,034,175)</u>	<u>(701,397)</u>	<u>-</u>
	(29,692)	(29,692)	199,259	
	30,540	30,540	(45,296)	
	<u>125,859</u>	<u>125,859</u>	<u>(132,421)</u>	
<u>-</u>	<u>126,707</u>	<u>126,707</u>	<u>21,542</u>	<u>-</u>
<u>\$ (1,034,175)</u>	<u>\$ 126,707</u>	<u>\$ (907,468)</u>	<u>\$ 679,855</u>	<u>\$ -</u>
				(11,885)
<u>-</u>				<u>(10,607)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,492)</u>
620,340		620,340	\$ 659,174	82,479
358,348		358,348	366,815	
40,093		40,093	12,693	
107,499		107,499	500,000	
101,079	42,688	143,767	75,911	1,390
51,967	172,735	224,702	36,968	
27,400		27,400	16,000	(27,400)
<u>1,306,726</u>	<u>215,423</u>	<u>1,522,149</u>	<u>1,667,561</u>	<u>56,469</u>
272,551	342,130	614,681	987,706	33,977
<u>6,062,110</u>	<u>6,435,906</u>	<u>12,498,016</u>	<u>11,510,310</u>	<u>106,234</u>
<u>\$ 6,334,661</u>	<u>\$ 6,778,036</u>	<u>\$ 13,112,697</u>	<u>\$ 12,498,016</u>	<u>\$ 140,211</u>

VILLAGE OF CLINTON, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

March 31, 2006

With Comparative Totals for March 31, 2005

ASSETS	General	Capital Projects	PERMANENT FUNDS			Other Governmental Funds	Total Governmental Funds	
			Village of Clinton	John F. Robison Tate Park	Robison Trust		2006	2005
Cash	\$ 478,171	\$	\$	\$		\$ 249,667	\$ 727,838	\$ 598,078
Investments at cost	162,870		1,275,836	1,376,818			2,815,524	2,532,638
Receivables:								
Accounts	18,285					15,750	34,035	37,235
Due from other funds						2,569	2,569	5,301
Advance to other funds			125,000				125,000	138,000
Prepaid expense	13,557					9,664	23,221	22,175
Construction in progress		187,815					187,815	168,697
Total assets	\$ 672,883	\$ 187,815	\$ 1,400,836	\$ 1,376,818		\$ 277,650	\$ 3,916,002	\$ 3,502,124
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	31,053					6,658	37,711	\$ 21,231
Accrued liabilities	7,881					24,979	32,860	7,893
Due to other funds	2,377					192	2,569	5,301
Due to component unit	2,963						2,963	2,963
Accrued sick and vacation pay	27,363						27,363	23,584
Total liabilities	71,637					31,829	103,466	60,972
Fund Balances:								
Reserved For:								
Debt service						151	151	151
Advance			125,000				125,000	138,000
Endowment			1,217,112				1,217,112	1,096,613
Tate Park				1,376,818			1,376,818	1,255,004
Unreserved, Reported In:								
General Fund	601,246						601,246	574,262
Special Revenue Funds		187,815					187,815	165,490
Capital Projects Fund						245,670	245,670	187,815
Permanent Funds			58,724				58,724	23,817
Total fund balances	601,246	187,815	1,400,836	1,376,818		245,821	3,812,536	3,441,152
Total liabilities and fund balances	\$ 672,883	\$ 187,815	\$ 1,400,836	\$ 1,376,818		\$ 277,650	\$ 3,916,002	\$ 3,502,124

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

March 31, 2006

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

**Note:** Construction in progress is in the Governmental Funds (in Capital Projects Fund) of \$187,815.

\$ 3,019,210

Accrued interest payable on long term debt is recognized in governmental funds when paid and not when accrued.

(10,094)

Long-term portion of accrued sick and vacation pay liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.

(48,700)

Loan indebtedness are recognized in the governmental funds when paid and not when accrued.

(475,000)

Internal Service Fund (Equipment Fund) is used by the Village to charge for equipment rental to individual funds. The assets and liabilities of the Equipment Fund are included in governmental activities in the Statement of Net Assets.

**Note:** The net capital assets (\$240,653) of the Equipment Fund are included in the Capital Asset figure above (\$3,207,025), and not in this adjustment.

36,709

Net differences

2,522,125

Total fund balance in governmental funds

3,812,536

Total net assets of governmental activities

\$ 6,334,661

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended March 31, 2006  
With Comparative Totals for the Year Ended March 31, 2005

		PERMANENT FUNDS			Other Governmental Funds	Total Governmental Funds
		General	Capital Projects	Village of Clinton Robison Trust	John F. Robison Tate Park	
<b>Revenues:</b>						
Property taxes	\$	569,754	\$	\$	\$	\$
Intergovernmental revenues		224,404				
Licenses, fees and charges for services		162,833				
Rentals		10,800				
Interest		20,666		52,160	50,801	
Other		110,838				
Townships						
Contributions				107,499	107,499	
Realized gain (loss) on investment				(1,084)	(1,084)	
Unrealized gain (loss) on investment				(12,870)	(14,765)	
Total revenues		<u>1,099,295</u>		<u>145,705</u>	<u>142,451</u>	<u>2,403,528</u>
<b>Expenditures:</b>						
Current:						
General government		413,841		3,299	3,283	
Public safety		408,265				
Culture and recreation		91,638				
Sanitation		84,556				
Highways and streets		64,587				
Debt Service:						
Principal						
Interest						
Total expenditures		<u>1,062,887</u>		<u>3,299</u>	<u>3,283</u>	<u>1,259,663</u>
Excess (deficiency) of revenues over (under) expenditures		<u>36,408</u>		<u>142,406</u>	<u>139,168</u>	<u>1,143,865</u>
<b>Other financing sources (uses):</b>						
Transfers in		17,354				
Transfers out		(26,778)			(17,354)	
Total other financing sources (uses)		<u>(9,424)</u>			<u>(17,354)</u>	<u>(333,100)</u>
Net change in fund balances		26,984		142,406	121,814	810,765
Fund balances at beginning of year		574,262	187,815	1,258,430	1,255,004	2,630,387
Fund balances at end of year	\$	<u>601,246</u>	<u>187,815</u>	<u>1,400,836</u>	<u>1,376,818</u>	<u>3,441,152</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CLINTON, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended March 31, 2006**

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Net change in fund balance – total governmental funds	\$	371,384
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Government funds report capital outlays as expenditures. However,  
in the Statement of Activities, the cost of those assets is allocated  
over their estimated useful lives and reported as depreciation  
expense. This is the amount by which depreciation was less than  
capital outlay in the current period. (Total capital outlay \$279,727  
less total depreciation \$248,825).

30,902

**Note:** Capital outlay does not include Equipment Fund capital  
asset additions or its depreciation.

This issuance of long-term debt (e.g. bonds) provides current  
financial resources to governmental funds, while the repayment  
of the principal of long-term debt consumes the current financial  
resources of governmental funds. Neither transaction, however,  
has any effect on net assets. This amount is the net effect of  
these assets. This amount is the net effect of these differences  
in the treatment of long-term debt.

Debt incurred during current year	(95,000)	
Less: Principal repayment	<u>15,000</u>	(80,000)

Some expenses reported in the Statement of Activities  
do not require the use of current financial resources  
and, therefore, are not reported as expenditures in  
governmental funds –

Accrued interest – net	(3,814)
Accrued long-term sick and vacation pay – net effect	(5,237)

Internal Service Fund (Equipment Fund) is used  
by the Village to charge equipment rental to  
individual funds. The net loss of this  
activity is reported with governmental  
activities.

(40,684)

Change in net assets in governmental activities	\$	<u>272,551</u>
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CLINTON, MICHIGAN**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

**For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenues:</b>				
Property taxes	\$ 552,000	\$ 552,000	\$ 569,754	\$ 17,754
Intergovernmental revenue	174,850	174,850	224,404	49,554
Licenses, fees and charges for services	140,400	140,400	162,833	22,433
Rentals	8,750	8,750	10,800	2,050
Interest	8,000	8,000	20,666	12,666
Other	<u>10,000</u>	<u>10,000</u>	<u>110,838</u>	<u>100,838</u>
Total revenues	<u>894,000</u>	<u>894,000</u>	<u>1,099,295</u>	<u>205,295</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
Council	13,530	13,530	13,002	528
Administration	99,930	103,930	103,303	627
Election	1,000	1,000	-	1,000
Buildings and grounds	162,600	266,600	265,157	1,443
Planning Commission	5,650	5,650	4,563	1,087
Professional service	11,000	11,000	11,562	(562)
Insurance	<u>17,000</u>	<u>17,000</u>	<u>16,254</u>	<u>746</u>
Total General Government	<u>310,710</u>	<u>418,710</u>	<u>413,841</u>	<u>4,869</u>
<b>Public Safety:</b>				
Police Department	388,460	388,460	378,812	9,648
Building and zoning inspection	<u>13,090</u>	<u>31,090</u>	<u>29,453</u>	<u>1,637</u>
Total Public Safety	<u>401,550</u>	<u>419,550</u>	<u>408,265</u>	<u>11,285</u>
<b>Highways and Streets:</b>				
Street lighting	49,000	49,000	47,035	1,965
Sidewalk	<u>20,000</u>	<u>20,000</u>	<u>17,552</u>	<u>2,448</u>
Total Highways and Streets	<u>69,000</u>	<u>69,000</u>	<u>64,587</u>	<u>4,413</u>
<b>Sanitation:</b>				
Waste collection and disposal	<u>81,000</u>	<u>81,000</u>	<u>84,556</u>	<u>(3,556)</u>
<b>Culture - Recreation:</b>				
Parks	<u>71,660</u>	<u>81,160</u>	<u>91,638</u>	<u>(10,478)</u>
Total expenditures	<u>933,920</u>	<u>1,069,420</u>	<u>1,062,887</u>	<u>6,533</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL

For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess of revenues over expenditures	\$ <u>(39,930)</u>	\$ <u>(175,420)</u>	\$ <u>36,408</u>	\$ <u>211,828</u>
<b>Other financing sources (uses):</b>				
Transfers in	76,750	76,750	17,354	(59,396)
Transfers out	<u>(36,830)</u>	<u>(36,830)</u>	<u>(26,778)</u>	<u>10,052</u>
Total other financing sources (uses)	<u>39,920</u>	<u>39,920</u>	<u>(9,424)</u>	<u>49,344</u>
Net change in fund balance	-		26,984	
Fund balance – beginning of year			<u>574,262</u>	
Fund balance – end of year			<u>\$ 601,246</u>	

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CLINTON, MICHIGAN**

**CAPITAL PROJECTS FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL**

**For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Interest	\$ _____	\$ _____	\$ _____	\$ _____
Total revenues	_____ -	_____ -	_____	_____
<b>Expenditures:</b>				
<b>Capital outlay:</b>				
Highways and streets		16,300		16,300
Professional fess	_____ 3,000	_____ 3,000	_____	_____ 3,000
Total expenditures	_____ 3,000	_____ 19,300	_____ -	_____ 19,300
Excess (deficiency) of revenues over (under) expenditures	(3,000)	(19,300)		19,300
<b>Other financing uses:</b>				
Transfers out	_____	_____	_____	_____
Net change in fund balance	(3,000)	(19,300)	-	19,300
Fund balance – beginning of year			_____ 187,815	
Fund balance – end of year			\$ _____ 187,815	

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CLINTON, MICHIGAN**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

**March 31, 2006**

**With Comparative Totals for March 31, 2005**

**GOVERNMENTAL  
ACTIVITIES**

**BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS**

<b>ASSETS:</b>	<b><u>Electric Fund</u></b>	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Total Proprietary Funds</u></b>		<b><u>Internal Service Fund</u></b>
				<b><u>2006</u></b>	<b><u>2005</u></b>	
<b>Current assets:</b>						
Cash and cash equivalents	\$ 200,194	\$ 136,534	\$ 172,030	\$ 508,758	\$ 361,808	\$ 39,047
Investments	695,007	55,805	134,410	885,222	856,768	
<b>Receivables:</b>						
Accounts	316,827	14,801	55,715	387,343	350,128	
Due from State			627,546	627,546		
Accrued interest	4,118	885	1,323	6,326	6,326	217
Prepaid expenses and other assets	10,198	3,370	4,614	18,182	18,182	
Inventories	<u>32,364</u>			<u>32,364</u>	<u>44,828</u>	
Total current assets	<u>1,258,708</u>	<u>211,395</u>	<u>995,638</u>	<u>2,465,741</u>	<u>1,638,040</u>	<u>39,264</u>
<b>Noncurrent assets:</b>						
<b>Restricted assets:</b>						
Cash	<u>19,035</u>	<u>670</u>	<u>2,530</u>	<u>22,235</u>	<u>19,470</u>	<u>-</u>
Investment in joint venture	<u>989,533</u>	<u>-</u>	<u>-</u>	<u>989,533</u>	<u>816,797</u>	<u>-</u>
<b>Capital assets:</b>						
Land	17,495	3,000	10,149	30,644	30,644	
Buildings	490,113	73,714	3,490,339	4,054,166	4,054,167	
Utility systems	1,713,744	1,028,925	757,102	3,499,771	3,449,170	
Equipment/trucks	1,031,615	115,015	92,510	1,239,140	1,235,994	927,553
Construction in Progress			3,235,580	3,235,580		
Less: Accumulated depreciation	<u>(2,257,489)</u>	<u>(553,930)</u>	<u>(1,889,541)</u>	<u>(4,700,960)</u>	<u>(4,534,847)</u>	<u>(686,900)</u>
Total capital assets – net	<u>995,478</u>	<u>666,724</u>	<u>5,696,139</u>	<u>7,358,341</u>	<u>4,235,128</u>	<u>240,653</u>
Total, noncurrent assets	<u>2,004,046</u>	<u>667,394</u>	<u>5,698,669</u>	<u>8,370,109</u>	<u>5,071,395</u>	<u>240,653</u>
Total assets	<u>\$ 3,262,754</u>	<u>\$ 878,789</u>	<u>\$ 6,694,307</u>	<u>\$ 10,835,850</u>	<u>\$ 6,709,435</u>	<u>\$ 279,917</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CLINTON, MICHIGAN**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

**March 31, 2006  
With Comparative Totals for March 31, 2005**

	<b><u>BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS</u></b>					<b><u>GOVERNMENTAL ACTIVITIES</u></b>
<b>LIABILITIES:</b>	<b><u>Electric Fund</u></b>	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Total Proprietary Funds 2006</u></b>	<b><u>2005</u></b>	<b><u>Internal Service Fund</u></b>
<b>Current liabilities:</b>						
Accounts payable	\$ 1,916	\$ 652	\$ 633,611	\$ 636,179	\$ 27,202	\$ 2,435
Accrued expenses	12,168	868	2,798	15,834	12,911	120
Advance Payable to other funds		40,000	85,000	125,000	138,000	
Total current liabilities	14,084	41,520	721,409	777,013	178,113	2,555
<b>Current liabilities payable from restricted assets:</b>						
Customer deposits	19,035	670	2,530	22,235	19,470	-
<b>Noncurrent liabilities:</b>						
Accrued leave	41,397	10,154	26,143	77,694	75,946	-
SRF Loan Payable			3,180,872	3,180,872		
Total liabilities	74,516	52,344	3,930,954	4,057,814	273,529	2,555
<b>Net assets:</b>						
Invested in capital assets, net of related debt	995,478	667,395	2,513,312	4,176,185	4,235,128	240,653
Restricted in joint venture	989,533			989,533	816,797	
Reserved for water treatment plant		133,009		133,009	90,053	
Unrestricted	1,203,227	26,041	250,041	1,479,309	1,293,928	36,709
Total net assets	\$ 3,188,238	\$ 826,445	\$ 2,763,353	\$ 6,778,036	\$ 6,435,906	\$ 277,362

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CLINTON, MICHIGAN**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

**PROPRIETARY FUNDS**

**For the Year Ended March 31, 2006  
With Comparative Totals for the Year Ended March 31, 2005**

	<b>BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS</b>					<b>GOVERNMENTAL ACTIVITIES</b>
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total Proprietary Funds 2006</b>	<b>2005</b>	<b>Internal Service Fund</b>
<b>Operating revenues:</b>						
Metered sales	\$ 2,680,663	\$ 152,954	\$ 497,132	\$ 3,330,749	\$ 3,108,807	\$
Penalties and service charges	39,160	44,495	77,683	161,338	56,154	
Miscellaneous	3,185	2,381	1,050	6,616	59,458	2,465
Rentals	<u>4,437</u>			<u>4,437</u>		<u>80,238</u>
Total operating revenues	<u>2,727,445</u>	<u>199,830</u>	<u>575,865</u>	<u>3,503,140</u>	<u>3,224,419</u>	<u>82,703</u>
<b>Operating expenses:</b>						
Light plant	68,345			68,345	57,049	
Purchased power	2,075,340			2,075,340	1,761,407	
Administrative	214,318	68,077	74,442	356,837	327,538	
Electric distribution system	320,451			320,451	307,186	
Water distribution		74,848		74,848	106,219	
Collection system			43,358	43,358	28,813	
Sewer treatment plant			264,931	264,931	255,995	
Depreciation	78,683	24,377	63,053	166,113	196,428	63,029
Professional services					156,335	
Equipment operation and maintenance						<u>61,306</u>
Total operating expenses	<u>2,757,137</u>	<u>167,302</u>	<u>445,784</u>	<u>3,370,223</u>	<u>3,196,970</u>	<u>124,335</u>
Operating income (loss)	<u>(29,692)</u>	<u>32,528</u>	<u>130,081</u>	<u>132,917</u>	<u>27,449</u>	<u>(41,632)</u>
<b>Nonoperating revenues (expenses):</b>						
Income from joint venture	172,735			172,735	4,091	
Interest income	28,836	5,326	8,526	42,688	26,950	948
Interest expense		(1,988)	(4,222)	(6,210)	(5,907)	
Total nonoperating revenues (expenses)	<u>201,571</u>	<u>3,338</u>	<u>4,304</u>	<u>209,213</u>	<u>25,134</u>	<u>948</u>
Income (loss) before transfers	171,879	35,866	134,385	342,130	52,583	(40,684)
Transfers in					349,100	
Transfers out					(85,000)	
Change in net assets	171,879	35,866	134,385	342,130	316,683	(40,684)
Total net assets – beginning of year	<u>3,016,359</u>	<u>790,579</u>	<u>2,628,968</u>	<u>6,435,906</u>	<u>6,119,223</u>	<u>318,046</u>
Total net assets – end of year	<u>\$ 3,188,238</u>	<u>\$ 826,445</u>	<u>\$ 2,763,353</u>	<u>\$ 6,778,036</u>	<u>\$ 6,435,906</u>	<u>\$ 277,362</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CLINTON, MICHIGAN**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**For the Year Ended March 31, 2006  
With Comparative Totals for the Year Ended March 31, 2005**

**DECREASE IN CASH AND CASH EQUIVALENTS**

**GOVERNMENTAL  
ACTIVITIES**

**BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS**

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds 2006</u>	<u>2005</u>	<u>Internal Service Fund</u>
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 2,704,487	\$ 199,514	\$ 564,689	\$ 3,468,690	\$ 3,225,965	\$ 82,703
Cash paid to suppliers/employees	<u>(2,665,668)</u>	<u>(155,736)</u>	<u>(381,683)</u>	<u>(3,203,087)</u>	<u>(3,142,539)</u>	<u>(61,435)</u>
Net cash provided by (used in) operating activities	<u>38,819</u>	<u>43,778</u>	<u>183,006</u>	<u>265,603</u>	<u>83,426</u>	<u>21,268</u>
<b>Cash flows from noncapital financing activities:</b>						
SRF Loan Proceeds			2,553,326	2,553,326		
Transfer to Equipment Fund					(85,000)	
Transfer from Capital Projects					349,100	
Payment on Advances	<u>          </u>	<u>(4,160)</u>	<u>(8,840)</u>	<u>(13,000)</u>	<u>          </u>	<u>          </u>
Net cash provided by (used in) noncapital financing activities	<u>          </u>	<u>(4,160)</u>	<u>2,544,486</u>	<u>2,540,326</u>	<u>264,100</u>	<u>          </u>
<b>Cash flows from investing activities:</b>						
Capital expenditures	(50,602)		(2,613,736)	(2,664,338)	(535,040)	(33,733)
Interest received	28,836	5,326	8,526	42,688	20,624	948
Interest expense	<u>          </u>	<u>(1,988)</u>	<u>(4,222)</u>	<u>(6,210)</u>	<u>(5,907)</u>	<u>          </u>
Net cash used by investing activities	<u>(21,766)</u>	<u>3,338</u>	<u>(2,609,432)</u>	<u>(2,627,860)</u>	<u>(520,323)</u>	<u>(32,785)</u>
Net decrease in cash and cash equivalents	17,053	42,956	118,060	178,069	(172,797)	(11,517)
Cash and cash equivalents – beginning of year	<u>897,183</u>	<u>150,053</u>	<u>190,810</u>	<u>1,238,046</u>	<u>1,410,843</u>	<u>50,564</u>
Cash and cash equivalent – end of year	<u>\$ 914,236</u>	<u>\$ 193,009</u>	<u>\$ 308,870</u>	<u>\$ 1,416,115</u>	<u>\$ 1,238,046</u>	<u>\$ 39,047</u>

Change in investment in joint venture (\$172,735) is a noncash transaction and does not effect cash flow in Electric Fund.

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For Fiscal Year Ended March 31, 2006  
With Comparative Totals for the Year Ended March 31, 2005

RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY (USED IN) OPERATING ACTIVITIES

	<u>BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS</u>					<u>GOVERNMENTAL ACTIVITIES</u>
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds 2006</u>	<u>2005</u>	<u>Internal Service Fund</u>
Operating income (loss)	\$ (29,692)	\$ 32,528	\$ 130,081	\$ 132,917	\$ 27,449	\$ (41,632)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	78,683	24,377	63,053	166,113	196,428	63,029
(Increase) decrease in:						
Customer receivables	(25,173)	(376)	(11,666)	(37,215)	1,496	
Prepaid expenses					9,268	
Inventories	12,464			12,464		
Increase (decrease) in:						
Accrued expenses and other liabilities	1,148	(14,338)		(13,190)	(137,692)	(129)
Accrued leave	(826)	1,527	1,048	1,749	(1,573)	
Customer deposits	2,215	60	490	2,765	50	
Due to other funds					(12,000)	
Net cash provided by (used in) operating activities	<u>\$ 38,819</u>	<u>\$ 43,778</u>	<u>\$ 183,006</u>	<u>\$ 265,603</u>	<u>\$ 83,426</u>	<u>\$ 21,268</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Clinton, Michigan (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units

Effective April 1, 2004, the Village of Clinton, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Village’s overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Village’s activities.
- ◆ A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village of Clinton, Michigan has elected to implement the general provisions of the statement.

**A. Reporting Entity**

The Village of Clinton is a Michigan Municipal Corporation governed by the Village Council. The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Discretely presented component unit.**

Downtown Development Authority (DDA) was created as a separate legal entity under Public Act 197 of 1975 of the State of Michigan. The purpose of the DDA is to plan and develop the downtown area of the Village and to attract new businesses and residents. The governing body of DDA is appointed by the Village Council for a fixed term. The Village approves the annual budget and any capital projects of DDA. Prior approval by the Village is needed on any taxation by DDA. And, the Village’s approval is needed for any borrowing done by DDA. The Downtown Development Authority is presented as a governmental fund type.

Separate financial statements for the component unit are not available.

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and permanent funds. Major individual governmental funds and major individual utility funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**The government reports the following major governmental funds:**

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for the acquisition and construction of major capital projects other than those financed by proprietary funds or trust funds.

*Permanent Funds* – The *Village of Clinton Robison Trust Fund* is a Nonexpendable Trust Fund in which the principal may not be expended. The *John f. Robison Tate Park Trust Fund* is a Trust Fund in which the resources, both principal and interest, may be expended. See Notes 8 and 9 for further details on these Trusts.

**The government reports the following major proprietary funds:**

The *Electric Fund* accounts for the activities of the Village's electric distribution operations.

The *Water Fund* accounts for the acquisition, operation, and maintenance of the Village's water system.

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Village's sewer system.

**Additionally, the government reports the following fund types:**

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

*Special Revenue Funds* (Major Street, Local Street, Community Center Fund, Fire Fund, and Softball Program)) are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

The *Internal Service Fund* (Equipment Fund) is used to account for equipment acquisition, maintenance and operation, and provides equipment rental to other funds or departments of the Village.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities (utility and motor vehicle funds), subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility funds are charges to customers for sales and services. Operating expenses for the funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Assets, liabilities, and net assets or equity.**

**1. Cash and investments**

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Village Council will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Village had advances from the Village of Clinton Robison Trust to the Water and Sewer Funds.

Personal property taxes receivable is shown net of an allowance for uncollectibles.

Property taxes are levied as of July 1 on property values assessed as of the prior December 1. The billing is mailed on July 1 and is considered due upon receipt by the taxpayer; however, the actual due date is September 14. A lien on property occurs when property taxes are levied (July 1). On September 14, the bill becomes delinquent and penalties and interest may be assessed by the government.

The Village had a general tax millage of 8.80 for 2005. The Village's maximum allowable millage is 12.5 mills. It also levied 0.78 mills for the Smith-Kimball Community Center.

Also, the Village levies a tax on certain properties for the Downtown Development Authority.

Delinquent real property taxes are turned over to the County and reimbursed through a revolving fund. Therefore, property taxes receivable are not accounted for under the 60 day rule.

**3. Inventories and prepaid items**

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Capital Assets**

Capital assets, which include property, building, equipment, and infrastructure assets (e.g., road, storm sewers and utility systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, buildings, and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land improvements	30
Buildings	15 – 16
Machinery, equipment, and furnishings	10 – 20
Utility systems	20 – 60
Infrastructure	20 – 30

**5. Compensated absences**

The current portion of the liability for accumulated sick, personal, vacation, and compensated time vested is shown in the relative governmental funds. The total (current and long-term portions) are shown in the Proprietary Funds and in the government-wide statements.

**6. Long-term obligations**

In the governmental-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize any bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

The accounting basis used by the Village for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Village follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Village have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

**B. Excess of expenditures over appropriations in budgetary funds**

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2006, the Village incurred expenditures in the governmental funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<b>General Fund</b>			
Professional Service	\$ 11,000	\$ 11,562	\$ 562
Waste collection and disposal	81,000	84,556	3,556
Parks	81,160	91,638	10,478
<b>Major Street</b>			
Winter maintenance	10,100	10,832	732
Administrative	13,640	13,996	356
<b>Local Street</b>			
Winter maintenance	10,100	10,831	731
Administrative	13,640	13,996	356
<b>Fire</b>			
Fire Expenses	163,020	178,739	15,719

These additional expenditures were funded by greater than anticipated revenues.

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

The Village limits its exposure to interest rate risk keeping certificate of deposits at short term maturation, as noted below. However, in the managed accounts at United Bank and Trust 85% to 96% of the investments are fixed income securities, which are subject to interest rate risk.

The Village is subject to credit risk having a large portion of cash and investments which are uninsured.

The Village is also subject to custodial credit risk having 72% of investments with United Bank & Trust and 16% of investment with TLC Community Credit Union. All demand deposits are with Comerica Bank.

**Primary Government**

At year end, bank deposits amounted to \$1,404,835. Of this amount \$100,000 was covered by Federal Depository Insurance and \$1,304,835 was uninsured and uncollateralized. At certain times of the year, especially when property taxes are being collected, the Village's uncollateralized deposits increase significantly; as a result, the amounts of uncollateralized deposits at those times were higher. All deposits are with banks located in Michigan as required by statutes.

At year end, bank balances, net of checks written but not cleared, as recorded in the financial statements were \$1,297,878. Of that amount, \$172,953 was in cash and checking; and \$1,124,925 in the 'J Fund' account. Such accounts are authorized by statutes.

**Component Unit**

**Deposits.** The component unit had deposits with a carrying value and bank balance of \$100,510 at year end. This account is part of the J Fund with Comerica Bank.

**Primary Government**

The Village had investments with carrying value and bank balance of \$3,700,747 at year end of which \$300,000 is covered by Federal Depository Insurance. Investments consists of:

**VILLAGE OF CLINTON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

<u>Certificates of Deposit</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u> <u>March 31, 2006</u>
General Fund	11/13/06	3.25	\$ 51,259
General Fund	10/24/06	4.01	111,611
Electric Fund	10/24/06	4.01	279,027
Sewer Fund			22,799
Sewer Fund	10/24/06	4.01	111,611
Water Fund	10/24/06	4.01	55,805
<u>Money Market</u>			
Electric Fund	-	3.22	209,400
Electric Fund	-	4.22	206,580
<u>Managed Accounts at United Bank &amp; Trust</u>		<u>Current Yield</u>	
Village of Clinton Robison Trust		4.30	1,275,837
John F. Robison Tate Park		4.25	<u>1,376,818</u>
			<u>\$ 3,700,747</u>

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Receivables**

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Community Center</u>
<b>Receivables:</b>				
Taxes	\$ 13,046	\$	\$	\$ 1,134
Accounts				
Special assessments	2,502			
Intergovernmental		10,241	3,694	
Accrued interest	<u>2,737</u>	<u>347</u>	<u>        </u>	<u>154</u>
Gross receivables	18,285	10,588	3,694	1,288
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 18,285</u>	<u>\$ 10,588</u>	<u>\$ 3,694</u>	<u>\$ 1,288</u>

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

<u>Fire Fund</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Equipment Fund</u>	<u>Total</u>	<u>Component Unit – DDA</u>
\$	\$	\$	\$	\$	\$	\$12,724
	316,827	14,801	55,715		14,180	
					387,343	
					2,502	
			627,546		641,481	
<u>180</u>	<u>4,118</u>	<u>885</u>	<u>1,323</u>	<u>217</u>	<u>9,961</u>	<u>434</u>
180	320,945	15,686	684,584	217	1,055,467	13,158
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>\$ 180</u>	<u>\$ 320,945</u>	<u>\$ 15,686</u>	<u>\$ 684,584</u>	<u>\$ 217</u>	<u>\$ 1,055,467</u>	<u>\$13,158</u>

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital assets**

Capital asset activity for the year ended March 31, 2006 was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 170,152	\$ 96,000	\$	\$ 266,152
Construction in progress	<u>168,697</u>	<u>19,118</u>		<u>187,815</u>
Total capital assets, not being depreciated	<u>338,849</u>	<u>115,118</u>		<u>453,967</u>
Capital assets, being depreciated:				
Land improvements	552,180	16,263		568,443
Buildings	1,154,425			1,154,425
Equipment, machinery, and furnishings	1,450,617	39,080		1,489,697
Infrastructure	<u>3,906,489</u>	<u>162,117</u>		<u>4,068,606</u>
Total capital assets, being depreciated	<u>7,063,711</u>	<u>217,460</u>	<u>-</u>	<u>7,281,171</u>
Less: Accumulated depreciation for:				
Land improvements	(184,060)	(18,948)		(203,008)
Buildings	(709,491)	(23,088)		(732,579)
Equipment, machinery, and furnishings	(897,507)	(91,136)		(988,643)
Infrastructure	<u>(2,425,201)</u>	<u>(178,682)</u>		<u>(2,603,883)</u>
Total accumulated depreciation	<u>(4,216,259)</u>	<u>(311,854)</u>	<u>-</u>	<u>(4,528,113)</u>
Total capital assets, being depreciated, net	<u>2,847,452</u>	<u>(94,394)</u>	<u>-</u>	<u>2,753,058</u>
Governmental activities, capital assets - net	<u>\$ 3,186,301</u>	<u>\$ 20,724</u>	<u>\$</u>	<u>\$ 3,207,025</u>

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 30,644	\$ -	\$ -	\$ 30,644
Construction in Progress		<u>3,235,580</u>		<u>3,235,580</u>
Total capital assets, not being depreciated	<u>30,644</u>	<u>3,235,580</u>		<u>3,266,224</u>
Capital assets, being depreciated:				
Utility systems	<u>8,739,331</u>	<u>53,476</u>	<u>-</u>	<u>8,793,077</u>
Total capital assets, being depreciated	<u>8,739,331</u>	<u>53,746</u>	<u>-</u>	<u>8,793,077</u>
Less: Accumulated depreciation for:				
Utility systems	<u>(4,534,847)</u>	<u>(166,113)</u>		<u>(4,700,960)</u>
Total accumulated depreciation	<u>(4,534,847)</u>	<u>(166,113)</u>	<u>-</u>	<u>(4,700,960)</u>
Total capital assets, being depreciated – net	<u>4,204,484</u>	<u>(112,367)</u>	<u>-</u>	<u>(4,092,117)</u>
Business-type activities, capital assets – net	<u>\$ 4,235,128</u>	<u>\$ 3,123,213</u>	<u>\$ -</u>	<u>\$ 7,358,341</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 74,499
Public safety	20,477
Culture and recreation	28,860
Highways and streets	<u>188,018</u>
Total depreciation expense – governmental activities	<u>\$ 311,854</u>
<b>Business-type activities:</b>	
Utility systems	<u>\$ 166,113</u>
Total depreciation expense – business-type activities	<u>\$ 166,113</u>

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

**Discretely presented component unit:**

Capital asset activity for the Downtown Development Authority (DDA) for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Land improvements	\$ 269,000	\$	\$	\$ 269,000
Less: Accumulated depreciation for:				
Land improvements	<u>(69,933)</u>	<u>(8,967)</u>	<u>          </u>	<u>(78,900)</u>
DDA capital assets – net	<u>\$ 199,067</u>	<u>\$ (8,967)</u>	<u>\$ -</u>	<u>\$ 190,100</u>

**D. Interfund receivables, payables, and transfers**

**Primary Government**

Due to/from other funds:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Local Street	\$ 2,377	General	\$ 2,377
Major Street	192	Local Street	192
	<u>          </u>		<u>          </u>
Total	<u>\$ 2,569</u>		<u>\$ 2,569</u>

**Advance to/from other funds:**

Village of Clinton		Water Fund	40,000
Robison Trust	<u>125,000</u>	Sewer Fund	<u>85,000</u>
Total	<u>\$ 125,000</u>		<u>\$ 125,000</u>

Due to/from primary government and component unit:

<u>Receivable Entity</u>		<u>Payable Entity</u>	
Downtown Development Authority (Component Unit)	<u>\$ 2,963</u>	General Fund (Primary Government)	<u>\$ 2,963</u>

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

**Interfund transfers:**

Transfers out:	<u>Transfers In</u>							<u>Total</u>
	<u>General</u>	<u>Local Street</u>	<u>Debt Service</u>	<u>Fire Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Equipment Fund</u>	
General	\$	\$ 24,330	\$ 2,448	\$	\$	\$	\$	\$ 26,778
Major Street		20,000						20,000
Downtown Development Authority			27,400					27,400
Tate Park Trust	<u>17,354</u>							<u>17,354</u>
Total	<u>\$17,354</u>	<u>\$ 44,330</u>	<u>\$ 29,848</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 91,532</u>

**E. Long-term debt**

**Debt related to governmental activities**

The Village has a general obligation debt (2003 General Obligation Limited Bond issue) which funded capital improvements. The original bond issue was \$410,000 with an interest rate at 7% and final maturity at May 1, 2019. Outstanding balance at March 31, 2006 was \$380,000.

Also the Village has an installment purchase loan of \$95,000 to provide funds for the purchase property at 114 Jackson St., Clinton for future expansion of the Fire Department. This loan has an interest rate of 6.025% and final maturity is November 1, 2015. Outstanding balance at March 31, 2006 was \$95,000.

Annual debt service requirements to maturity for these debt obligations are as follows.

**Government Activities**

<u>Year Ending</u> <u>March 31, 2006</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 23,000	\$ 22,053
2008	28,000	19,079
2009	29,000	17,948
2010	34,000	17,346
2011	34,000	15,245
2012 - 2016	192,000	52,750
2017 - 2021	<u>135,000</u>	<u>12,139</u>
	<u>\$ 475,000</u>	<u>\$ 156,560</u>

**VILLAGE OF CLINTON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long term debt**

**Debt related to business-type activities**

The Village of Clinton has issued bonds (Village of Clinton Sewage Disposal System Revenue Bond, Series 2005) for the purpose of funding a new sewer plant. The amount of the issue is \$4,000,000 at an interest rate of 1.625%. Under a purchase contract, the Michigan Municipal Bond Authority has acquired all the bonds, and is paying the bond proceeds through the State Water Pollution Control Revolving Fund, commonly known as State Revolving Fund (SRF). Funds are disbursed from the State on a construction cost reimbursement basis. The outstanding debt balance at March 31, 2006 was \$3,180,872.

Annual Debt Service requirements to maturity are projected as follows:

**Business-type Activities**

<b><u>Year Ending</u></b> <b><u>March 31, 2006</u></b>	<b><u>Principal</u></b>
2007	\$ -
2008	170,000
2009	175,000
2010	175,000
2011	180,000
2012 - 2016	940,000
2017 - 2021	1,020,000
2022 - 2026	1,110,000
2027 - 2031	<u>230,000</u>
	<u>\$ 4,000,000</u>

**Debt related to Downtown Development Authority (Component Unit)**

The Downtown Development Authority (DDA) issued bonds (1994 Downtown Development Bonds) for capital improvements in the downtown area. The total issue was \$195,000 at an interest rate of 6.25% and final maturity is May 1, 2009. The outstanding balance at March 31, 2006 was \$108,000.

The DDA also has an installment purchase loan of \$100,000 for parking lot improvements. This loan is at 6.197% interest rate and final maturity is November 1, 2009. The outstanding balance at March 31, 2006 was \$54,000.

Annual debt service requirements on these debt obligations are as follows:

**Component Unit - DDA**

<b><u>Year Ending</u></b> <b><u>March 31</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2007	\$ 33,000	\$ 9,166
2008	35,000	7,007
2009	41,000	4,599
2010	<u>53,000</u>	<u>2,033</u>
	<u>\$ 162,000</u>	<u>\$ 22,805</u>

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

**E Long Term Debt**

The following is a summary of long-term debt transactions of the Village for the year ended March 31, 2006:

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>	<u>Component Unit</u>		<u>Accrued Employee Benefits</u>	<u>Total</u>
	<u>Installment Purchase</u>	<u>Primary Government Bond Issue</u>		<u>DDA Installment Purchase</u>	<u>DDA Bond Issue</u>		
Long-term debt at March 31, 2005	\$ 95,000	\$ 395,000	\$ 3,180,872	\$ 64,000	\$ 130,000	\$ 142,993	\$ 731,993
Loan Proceeds		(15,000)			(22,000)		3,275,872
Principal payment							(37,000)
Increase in accrued employee benefits						10,762	10,762
Long term note payable - United Bank & Trust				(10,000)			(10,000)
Long-term debt at March 31, 2006	\$ 95,000	\$ 380,000	\$3,180,872	\$ 54,000	\$ 108,000	\$ 153,755	\$3,971,627

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Advance (loan) to other funds**

The Village of Clinton Robison Trust has loaned money to the Water Fund (\$40,000) and Sewer Fund (\$85,000). The promissory note with the Village states annual payments on principal will be made by November 1, and interest at 4.5% will be paid each May 1 and November 1. The final payment on the note is due January 15, 2014.

Annual debt service requirements to maturity for this loan are as follows:

Year Ending <u>March 31,</u>	<u>Business-Type Activities</u>			
	<u>Water Fund</u>		<u>Sewer Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 4,160	\$ 1,800	\$ 8,840	\$ 3,826
2008	4,480	1,612	9,520	3,428
2009	4,800	1,412	10,200	2,998
2010	4,800	1,196	10,200	2,540
2011	5,120	980	10,880	2,080
2012 - 2014	<u>16,640</u>	<u>1,512</u>	<u>35,360</u>	<u>3,214</u>
	<u>\$ 40,000</u>	<u>\$ 8,512</u>	<u>\$ 85,000</u>	<u>\$ 18,086</u>

**NOTE 4. PROPERTY LIABILITY, UNEMPLOYMENT, AND WORKMEN'S COMPENSATION  
INSURANCE COVERAGE**

The Village is a member of the Michigan Township Participating Plan for insuring its properties and for general liability.

The Village is a member of the Municipal Unemployment Compensation Group Account under the Michigan Municipal League for unemployment coverage.

Workers' Compensation coverage is under the Michigan Municipal League Workers' Compensation Fund.

Any contingent liabilities under these arrangements are not known.

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE 5. OTHER INFORMATION**

**Retirement Plan**

**A. Plan Description**

The Village contributes to the Michigan Municipal Employees' Retirement System (MERS), an agent multi-employer defined benefit pension plan, which provides retirement benefits to all full-time employees of the Village. MERS is administered by its Board of Trustees. The actuary for the System is Gabriel, Roeder, Smith & Company. The Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220 of the State of Michigan, assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; for the Village of Clinton, that authority rests with the Village. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917.

**B. Funding Policy**

Employees make contributions under the plan. The Village is required to contribute the actuarially determined amount each year.

**C. Annual Pension Cost**

For the year ended March 31, 2006, the Village's required annual pension contribution was zero. The required contribution was determined as part of the December 31, 200\_ actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included -

[a] 8.0% investment rate of return,

[b] projected salary increases of 4.5% per year compounded annually,

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE 5. OTHER INFORMATION (Continued)**

The actuarial value of MERS' assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a five year period.

<b>Actuarial Accrued Liability (as of 12/31/04)</b>	
	\$ 431,035
Retirees and beneficiaries currently receiving benefits	147,557
Terminated employees not yet receiving benefits	
Current employees --	
Accumulated employee contributions including allocated investment income	108,220
Employer financed	<u>1,804,378</u>
Total Actuarial Accrued Liability	2,291,190
Net Assets Available for Benefits at Actuarial Value	<u>2,444,704</u>
(Market Value is \$2,386,322)	
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 46,486</u>

**Three Year Trend Information**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
March 31, 2004	\$ -0-	100%	0
March 31, 2005	10,416	100%	0
March 31, 2006	46,512	100%	0

**VILLAGE OF CLINTON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 5. OTHER INFORMATION (Continued)**

**SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets [a]</b>	<b>Actuarial Accrued Liability (AAL) Entry Age [b]</b>	<b>Unfunded AAL (UAAL) [b-a]</b>	<b>Funded Ratio [a/b]</b>	<b>Covered Payroll [c]</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/00	\$ 1,747,024	\$ 1,695,354	\$ (51,670)	103	\$ 636,397	-0-
12/31/01	1,874,502	1,684,799	(189,703)	111	621,918	-0-
12/31/02	1,976,140	1,836,659	(139,481)	108	698,097	-0-
12/31/03	2,200,887	2,280,159	79,272	97	727,524	11
12/31/04	2,444,704	2,491,190	46,486	98	751,753	6

**NOTE 6. DEFERRED COMPENSATION PLAN**

The Village provides its employees a Deferred Compensation Plan, created in accordance with the Internal Revenue Code Section 457, that is administered by the ITT Hartford Insurance Group. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

Under the deferred compensation plan, all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.

**NOTE 7. JOINT VENTURE - MICHIGAN SOUTH CENTRAL POWER AGENCY**

The Village is a member municipality of the Michigan South Central Power Agency. The Michigan South Central Power Agency (the "Agency") is a public body politic and corporate of the State of Michigan organized on March 21, 1978, under the authority of Michigan Public Act 448 of 1976 (the "Act"), to supply electricity to member municipalities in South Central Michigan. The Act provides that the Agency will establish rates and charges so as to produce revenues sufficient to cover its costs (excluding depreciation and amortization expense) including debt service, but it may not operate its projects for profit, except insofar as any such profit will inure to the benefit of the public. Each member municipality appoints one member to the Board of the Agency. The member municipalities and their percentage shares are as follows:

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 7. JOINT VENTURE – MICHIGAN SOUTH CENTRAL POWER AGENCY (Continued)**

<u>Municipality</u>	<u>Percentage Share</u>
Clinton	6.5
Coldwater	40.0
Hillsdale	25.5
Marshall	24.0
Union City	<u>4.0</u>
	<u>100.0</u>

Each member is a municipal corporation, organized under the laws of the State of Michigan, which owns and operates a municipal electric system. The member municipalities presently supply their customers with power and energy generated from the Agency's Project I and from the municipalities' existing generating facilities and also with power purchased from other utility companies.

Each of the member municipalities entered into (a) a Power Sales Contract with the Agency for the supply of power and energy from the Agency, and (b) a Substation Agreement with the Agency for services provided by the Agency to the member municipality with respect to substation facilities; both of these agreements will remain in effect as long as the Power Supply System Revenue Refunding Bonds, 1994, 1992, 1991, and 1986 Series are outstanding. Each member municipality also entered into an Economic Dispatch Agreement with the Agency providing for the dispatch by the Agency of power and energy from certain existing generating facilities of the member municipalities on an economic basis. The Power Sales Contracts between the Agency and the member municipalities require the Agency to provide, and the member municipalities to purchase from the Agency, all of the members' bulk power supply, as defined in the contracts. Each member is obligated to pay its share of the Agency's operating and debt service costs of Project I. The Substation Agreements require the Agency to provide, and the municipalities to purchase, services of the municipalities' substation facilities for transmission, transformation, and delivery of electric power and energy from the Agency to the municipalities. Under the Economic Dispatch Agreement, the member municipalities are required to sell to the Agency power generated by their facilities, defined as dedicated capacity.

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2006**

**NOTE 7. JOINT VENTURE – MICHIGAN SOUTH CENTRAL POWER AGENCY (Continued)**

Michigan South Central Power Agency's revenue bonds outstanding are as follows:

	<b>June 30</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>1992 Series – 3.50% to 5.90% Serial Bonds, maturing annually on November 1, 1997 to 2006</b>	\$ 14,455,000	\$ 21,605,000
<b>1994 Series – 7.00% Term bonds, due November 1, 2011</b>	9,200,000	8,385,000
<b>2000 Series – 6.00% Serial Bonds, maturing annually on May 1, 2010 to 2012</b>	6,000,000	6,475,000
<b>2002 Series – 5.00% Serial Bonds, maturing annually on November 21, 2008 to 2011</b>	31,190,000	31,190,000
<b>2003 Series – 4.08% Bonds, maturing annually on November 1, 2004 to 2010</b>	<u>1,786,735</u>	<u>2,072,283</u>
<b>Total outstanding debt</b>	<b><u>\$ 62,631,735</u></b>	<b><u>\$ 69,727,283</u></b>

These are revenue bonds secured by pledges of revenues earned, as well as assets in funds established by bond resolution

A summary of financial information on Michigan South Central Power Agency at June 30, 2005 and 2004 follows:

	<b><u>2005</u></b>	<b><u>2004</u></b>
Total assets	\$ 81,830,162	\$ 85,109,361
Total liabilities	66,606,581	72,543,249
Net assets	15,223,581	12,566,112
Operating revenues	38,634,773	36,757,645
Operating expenses	30,968,241	28,941,742
Income from operations	7,666,532	7,815,903
Investment and miscellaneous income	1,107,040	1,581,952
Interest and amortization expense	(4,557,764)	(5,044,406)
Other expense	(1,213,439)	(3,598,668)
Realized and Unrealized Gain (Loss) on investments	(344,900)	(691,842)
Change in net assets	2,657,469	62,939

**VILLAGE OF CLINTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2006**

**NOTE 8. VILLAGE OF CLINTON – ROBISON TRUST**

The Village has created a trust funded by unrestricted gifts from the Estate of John F. Robison (\$1,400,836). It is the intent of the Village that all gifts to this trust will be held as endowments with the principal invested permanently and the investment income to be used for the benefit of the Village of Clinton.

**NOTE 9. JOHN R. ROBISON TATE PART TRUST**

This trust has been created by the Village to provide a legal entity for handling the restricted gifts from the Estate of John F. Robison (\$1,376,818). The donor has restricted the use of these gifts to the operation, improvement, and maintenance of Tate Park. Both principal and investment income can be used for the restricted purposes.

**VILLAGE OF CLINTON, MICHIGAN**  
**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

March 31, 2006  
With Comparative Totals for March 31, 2005

	Debt Service	Major Street Fund	Local Street Fund	Community Center Fund	Fire Fund	Softball Program	Governmental Funds 2006	Total Nonmajor Governmental Funds 2005
<b>ASSETS</b>								
Cash and cash equivalents	\$ 151	\$ 107,963	\$ 19,268	\$ 68,268	\$ 52,516	\$ 1,501	\$ 249,667	\$ 145,473
Receivables (net of allowance allowance for uncollectibles):								
Property taxes				1,134			1,134	1,260
Due from other governmental units		10,241	3,694				13,935	13,718
Accrued interest		347		154	180		681	501
Due from other funds		192	2,377				2,569	4,754
Prepaid expenses and other assets		125	125	1,763	7,651		9,664	8,618
Total assets	\$ 151	\$ 118,868	\$ 25,464	\$ 71,319	\$ 60,347	\$ 1,501	\$ 277,650	\$ 174,324
<b>LIABILITIES</b>								
Accounts payable	\$	\$ 505	\$ 505	\$ 595	\$ 5,053	\$	\$ 6,658	\$ 4,872
Accrued expenses		566	532	438	23,443		24,979	1,434
Due to other funds			192				192	2,377
Total liabilities	\$ -	\$ 1,071	\$ 1,229	\$ 1,033	\$ 28,496	\$	\$ 31,829	\$ 8,683
<b>FUND BALANCES</b>								
Reserved for:								
Debt Service	\$ 151	\$ 117,797	\$ 24,235	\$ 70,286	\$ 31,851	\$ 1,501	\$ 245,670	\$ 151
Unreserved, undesignated								165,490
Total fund balance	151	117,797	24,235	70,286	31,851	1,501	245,821	165,641
Total liabilities and fund balances	\$ 151	\$ 118,868	\$ 25,464	\$ 71,319	\$ 60,347	\$ 1,501	\$ 277,650	\$ 174,324

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended March 31, 2006  
With Comparative Totals for the Year Ended March 31, 2006

	Debt Service	Major Street Fund	Local Street Fund	Community Center Fund	Fire Fund	Softball Program	Total Nonmajor Governmental Funds 2006	2005
<b>Revenues:</b>								
Property taxes	\$	\$	\$	\$ 50,586	\$	\$	\$ 50,586	\$ 49,061
Intergovernmental revenues:								
State gas weight tax		104,862	37,826				142,688	147,879
County revenue sharing								1,874
Interest		3,294	167	1,834	1,875	85	7,255	2,058
Licenses, fees and charges for services:								
Fee revenue								
Rentals						13,180	13,180	14,050
Township contributions				7,334			7,334	7,470
Miscellaneous					172,951		172,951	69,630
Sale of Equipment					1,995		1,995	9,564
					16,000		16,000	
Total revenues	\$ -	\$ 108,156	\$ 37,993	\$ 59,754	\$ 192,821	\$ 13,265	\$ 411,989	\$ 301,586
<b>Expenditures:</b>								
Highways and streets		62,563	62,183				124,746	175,773
Debt service:								
Principal	15,000						15,000	15,000
Interest	14,848						14,848	15,290
Public safety:								
Fire					178,739		178,739	137,281
Culture and recreation:								
Softball program				39,943		12,711	12,711	15,087
Community Center							39,943	58,097
Total expenditures	\$ 29,848	\$ 62,563	\$ 62,183	\$ 39,943	\$ 178,739	\$ 12,711	\$ 385,987	\$ 416,528

	Debt Service	Major Street Fund	Local Street Fund	Community Center Fund	Fire Fund	Softball Program	Governmental Funds 2006	Total Nonmajor Governmental Funds 2005
Excess (deficiency) of revenues over (under) expenditures	\$ (29,848)	\$ 45,593	\$ (24,190)	\$ 19,811	\$ 14,082	\$ 554	\$ 26,002	\$ (114,942)
Other financing sources (uses):								
Transfers in	29,848	(20,000)	44,330				74,178	132,790
Transfers out							(20,000)	(20,000)
Total other financing sources (uses)	29,848	(20,000)	44,330	-		-	54,178	112,790
Net change in fund balances		25,593	20,140	19,811	14,082	554	80,180	(2,152)
Fund balances -- beginning of year	151	92,204	4,095	50,475	17,769	947	165,641	167,793
Fund balances -- end of year	\$ 151	\$ 117,797	\$ 24,235	\$ 70,286	\$ 31,851	\$ 1,501	\$ 245,821	\$ 165,641

VILLAGE OF CLINTON, MICHIGAN

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL

For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Interest	\$ _____	\$ _____	\$ _____	\$ _____
Total revenues	_____	_____	_____	_____
<b>Expenditures:</b>				
Debt Service:				
Principal	15,000	15,000	15,000	--
Interest	<u>14,900</u>	<u>14,900</u>	<u>14,848</u>	<u>52</u>
Total expenditures	<u>29,900</u>	<u>29,900</u>	<u>29,848</u>	<u>52</u>
Deficiency of revenues under expenditures	(29,900)	(29,900)	(29,848)	(52)
<b>Other financing sources:</b>				
Transfers in	<u>29,900</u>	<u>29,900</u>	<u>29,848</u>	<u>52</u>
Net change in fund balance	-	-	-	-
Fund balance – beginning of year			<u>151</u>	
Fund balance – end of year			<u>\$ 151</u>	

VILLAGE OF CLINTON, MICHIGAN

MAJOR STREET SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Intergovernmental:</b>				
State gas weight tax	\$ 95,000	\$ 95,000	\$ 104,862	\$ 9,862
County revenue sharing	1,000	1,000	-	(1,000)
Interest	300	300	3,294	2,994
Total revenues	<u>96,300</u>	<u>96,300</u>	<u>108,156</u>	<u>11,856</u>
<b>Expenditures:</b>				
Routine maintenance	64,470	64,470	31,515	32,955
Traffic service	6,730	6,730	6,220	510
Winter maintenance	10,100	10,100	10,832	(732)
Administrative	<u>13,640</u>	<u>13,640</u>	<u>13,996</u>	<u>(356)</u>
Total expenditures	<u>94,940</u>	<u>94,940</u>	<u>62,563</u>	<u>32,377</u>
Excess (deficiency) of revenues over (under) expenditures	1,360	1,360	45,593	44,233
<b>Other financing uses:</b>				
Transfers out	(20,000)	(20,000)	(20,000)	-
Transfers in	<u>18,640</u>	<u>18,640</u>		<u>(18,640)</u>
Net change in fund balance			25,593	25,593
Fund balance - beginning of year			<u>92,204</u>	
Fund balance - end of year			<u>\$ 117,797</u>	

**VILLAGE OF CLINTON, MICHIGAN**

**LOCAL STREET SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL**

**For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Intergovernmental:</b>				
State gas weight tax	\$ 35,000	\$ 35,000	\$ 37,826	\$ 2,826
Interest			167	167
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>37,993</u>	<u>2,993</u>
<b>Expenditures:</b>				
Routine maintenance	50,360	50,360	32,717	17,643
Traffic service	5,230	5,230	4,639	591
Winter maintenance	10,100	10,100	10,831	(731)
Administrative	<u>13,640</u>	<u>13,640</u>	<u>13,996</u>	<u>(356)</u>
Total expenditures	<u>79,330</u>	<u>79,330</u>	<u>62,183</u>	<u>17,147</u>
Excess (deficiency) of revenues over (under) expenditures	(44,330)	(44,330)	(24,190)	20,140
<b>Other financing sources:</b>				
Transfers in	<u>44,330</u>	<u>44,330</u>	<u>44,330</u>	
Net change in fund balance	-	-	20,140	20,140
Fund balance – beginning of year			<u>4,095</u>	
Fund balance – end of year			<u>\$ 24,235</u>	

**VILLAGE OF CLINTON, MICHIGAN**

**COMMUNITY CENTER FUND    SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL**

**For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 50,000	\$ 50,000	\$ 50,586	\$ 586
Miscellaneous				
Rentals	6,800	6,800	7,334	534
Interest	<u>500</u>	<u>500</u>	<u>1,834</u>	<u>1,334</u>
Total revenues	57,300	57,300	59,754	2,454
<b>Expenditures:</b>				
Community Center expenses	<u>57,430</u>	<u>57,430</u>	<u>39,943</u>	<u>17,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130)</u>	<u>(130)</u>	<u>19,811</u>	<u>19,941</u>
<b>Other financing sources:</b>				
Transfers in	<u>130</u>	<u>130</u>	<u>-</u>	<u>(130)</u>
Net change in fund balance			19,811	19,811
Fund balance – beginning of year			<u>50,475</u>	
Fund balance – end of year			<u>\$ 70,286</u>	

**VILLAGE OF CLINTON, MICHIGAN**

**FIRE FUND      SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL**

**For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Miscellaneous	\$ 100	\$ 100	\$ 1,995	\$ 1,895
Township contributions	162,820	162,820	172,951	10,131
Interest	100	100	1,875	1,775
			<u>16,000</u>	<u>16,000</u>
Total revenues	<u>163,020</u>	<u>163,020</u>	192,821	29,801
<b>Expenditures:</b>				
Fire expenses	<u>163,020</u>	<u>163,020</u>	<u>178,739</u>	<u>(15,719)</u>
Excess (deficiency) of revenues over (under) expenditures			14,082	14,082
Net change in fund balance	-		14,082	14,082
Fund balance – beginning of year			<u>17,769</u>	
Fund balance – end of year			<u>\$ 31,851</u>	

VILLAGE OF CLINTON, MICHIGAN

SOFTBALL PROGRAM SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL

For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Rentals	\$	\$	\$	\$
Interest			85	85
Softball fees	<u>17,200</u>	<u>17,200</u>	<u>13,180</u>	<u>(4,020)</u>
Total revenues	17,200	17,200	13,265	(3,935)
<b>Expenditures:</b>				
Softball program expenses	<u>17,200</u>	<u>17,200</u>	<u>12,711</u>	<u>4,489</u>
Excess of revenues over expenditures			554	554
Net change in fund balance			554	554
Fund balance – beginning of year			<u>947</u>	
Fund balance – end of year			<u>\$ 1,501</u>	

**VILLAGE OF CLINTON, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended March 31, 2006**

<b><u>Federal Grantor/ Program Title</u></b>	<b><u>Federal CEDA Number</u></b>	<b><u>Pass Through Entity's Identifying Number</u></b>	<b><u>Program or Award Amount</u></b>	<b><u>Federal Expenditures</u></b>
<b>U.S. Environmental Protection Office of Water Michigan State Revolving Fund</b>	66.458	5225-01	\$ 836,800	\$ <u>665,438</u>
	<b>Total Federal Expenditures</b>			\$ <u>665,438</u>

**VILLAGE OF CLINTON, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended March 31, 2006**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

\* Material weakness(es) identified?

\_\_\_\_\_ YES      X   NO

\* Reportable condition(s) identified that  
are not considered to be material  
weaknesses?

\_\_\_\_\_ YES      X   NONE REPORTED

Noncompliance material to financial  
statements noted?

\_\_\_\_\_ YES      X   NO

**FEDERAL AWARDS**

Internal control over major programs:

\* Material weakness(es) identified?

\_\_\_\_\_ YES      X   NO

\* Reportable condition(s) identified  
that are not considered to be  
material weaknesses?

\_\_\_\_\_ YES      X   NONE REPORTED

Type of auditors' report issued on compliance  
for major program:

Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with Section 510(a) of Circular A-133?

\_\_\_\_\_ YES      X   NO

**VILLAGE OF CLINTON, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended March 31, 2006**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**IDENTIFICATION OF MAJOR PROGRAM:**

<u>CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Name of Federal Program</u>
66.458	5225-01	Capitalization Grants for State Revolving Fund

Dollar Threshold used to distinguish  
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ YES      X   NO

**SECTION II - FINANCIAL STATEMENT FINDINGS**

NONE

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE